

**Proposed Substitute
Bill No. 5588**

LCO No. 3342

**AN ACT CONCERNING THE TIMING OF PAYMENTS FROM
SUPPLEMENTAL INPATIENT PAYMENT POOLS FOR SHORT-TERM
GENERAL HOSPITALS.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (b) of section 17b-239e of the 2016 supplement
2 to the general statutes is repealed and the following is substituted in
3 lieu thereof (*Effective July 1, 2016*):

4 (b) The commissioner may establish a blended inpatient hospital
5 case rate that includes services provided to all Medicaid recipients and
6 may exclude certain diagnoses, as determined by the commissioner, if
7 the establishment of such rates is needed to ensure that the conversion
8 to an administrative services organization is cost neutral to hospitals in
9 the aggregate and ensures patient access. Utilization may be a factor in
10 determining cost neutrality. The Department of Social Services [may]
11 shall establish, within available appropriations, (1) a supplemental
12 inpatient payment pool for [certain] all hospitals, and (2) a
13 supplemental inpatient payment pool for certain small independent
14 hospitals. No payment shall be made from such supplemental
15 inpatient payment pools to (A) any hospital which, on or after July 1,
16 2016, is within the class of hospitals licensed by the Department of
17 Public Health as a children's general hospital, or (B) a short-term acute
18 care hospital operated exclusively by the state other than a short-term

19 acute care hospital operated by the state as a receiver pursuant to
20 chapter 920. Payments made to hospitals from such supplemental
21 inpatient payment pools shall be in addition to, and not a replacement
22 for, payments made to hospitals based on the inpatient Medicaid rates
23 established pursuant to section 17b-239.

24 (c) The commissioner shall make quarterly payments to all eligible
25 hospitals from the supplemental inpatient payment pools not later
26 than the last day of the second month of each quarter. Each quarterly
27 payment to an eligible hospital from a supplemental inpatient
28 payment pool shall equal one-quarter of that hospital's total allocated
29 portion of the applicable supplemental inpatient payment pool for that
30 year. Following issuance of payments to hospitals from a supplemental
31 inpatient payment pool for any quarter, the commissioner shall seek
32 federal matching funds under the medical assistance program for such
33 quarterly payments. Interest earned on funds in the supplemental
34 inpatient payment pools shall be credited to the pools. The funds in the
35 supplemental inpatient payment pools shall not be diverted to any
36 other state use.

37 Sec. 2. Section 12-263b of the 2016 supplement to the general statutes
38 is repealed and the following is substituted in lieu thereof (*Effective July*
39 *1, 2016*):

40 (a) For each calendar quarter commencing on or after July 1, 2011,
41 there is hereby imposed a tax on the net patient revenue of each
42 hospital in this state to be paid each calendar quarter. The rate of such
43 tax shall be up to the maximum rate allowed under federal law. The
44 Commissioner of Social Services shall determine the base year on
45 which such tax shall be assessed. The Commissioner of Social Services
46 may, in consultation with the Secretary of the Office of Policy and
47 Management and in accordance with federal law, exempt a hospital
48 from the tax on payment earned for the provision of outpatient
49 services based on financial hardship. Effective July 1, 2012, and for the
50 succeeding fifteen months, the rates of such tax, the base year on which
51 such tax shall be assessed, and the hospitals exempt from the

52 outpatient portion of the tax based on financial hardship shall be the
53 same tax rates, base year and outpatient exemption for hardship in
54 effect on January 1, 2012.

55 (b) Each hospital shall, on or before the last day of January, April,
56 July and October of each year, render to the Commissioner of Revenue
57 Services a return, on forms prescribed or furnished by the
58 Commissioner of Revenue Services and signed by one of its principal
59 officers, stating specifically the name and location of such hospital, and
60 the amount of its net patient revenue as determined by the
61 Commissioner of Social Services. [Payment shall be made] Subject to
62 the provisions of subsection (c) of this section, each hospital shall make
63 a tax payment with such return. Each hospital shall file such return
64 electronically with the department and make such payment by
65 electronic funds transfer in the manner provided by chapter 228g,
66 irrespective of whether the hospital would otherwise have been
67 required to file such return electronically or to make such payment by
68 electronic funds transfer under the provisions of chapter 228g.

69 (c) A hospital may deduct from each quarterly tax payment due
70 pursuant to this section an amount equal to the total payments
71 authorized but remaining unpaid, inclusive of the state and federal
72 shares of such authorized payments, from a supplemental inpatient
73 hospital payment pool or small hospital payment pool established
74 pursuant to section 17b-239e, as amended by this act, or any other
75 hospital payment pool established by the General Assembly to be
76 funded in whole or in part by hospital tax payments. A hospital may
77 deduct such amount for that quarter or any preceding quarter.

78 [(c)] (d) Notwithstanding any other provision of law, for each
79 calendar quarter commencing on or after July 1, 2015, and prior to
80 January 1, 2016, the amount of tax credit or credits otherwise allowable
81 against the taxes imposed under sections 12-263a to 12-263e, inclusive,
82 and 12-263i shall not exceed fifty and one one-hundredths per cent of
83 the amount of tax due under sections 12-263a to 12-263e, inclusive, and
84 12-263i with respect to such calendar quarter prior to the application of

85 such credit or credits. For each calendar quarter commencing on or
86 after January 1, 2016, and prior to January 1, 2017, the amount of tax
87 credit or credits otherwise allowable against the taxes imposed under
88 sections 12-263a to 12-263e, inclusive, and 12-263i shall not exceed
89 fifty-five per cent of the amount of tax due under sections 12-263a to
90 12-263e, inclusive, and 12-263i with respect to such calendar quarter
91 prior to the application of such credit or credits. For each calendar
92 quarter commencing on or after January 1, 2017, and prior to January
93 1, 2018, the amount of tax credit or credits otherwise allowable against
94 the taxes imposed under sections 12-263a to 12-263e, inclusive, and 12-
95 263i shall not exceed sixty per cent of the amount of tax due under
96 sections 12-263a to 12-263e, inclusive, and 12-263i with respect to such
97 calendar quarter prior to the application of such credit or credits. For
98 each calendar quarter commencing on or after January 1, 2018, and
99 prior to January 1, 2019, the amount of tax credit or credits otherwise
100 allowable against the taxes imposed under sections 12-263a to 12-263e,
101 inclusive, and 12-263i shall not exceed sixty-five per cent of the amount
102 of tax due under sections 12-263a to 12-263e, inclusive, and 12-263i
103 with respect to such calendar quarter prior to the application of such
104 credit or credits. For each calendar quarter commencing on or after
105 January 1, 2019, the amount of tax credit or credits otherwise allowable
106 against the taxes imposed under sections 12-263a to 12-263e, inclusive,
107 and 12-263i shall not exceed seventy per cent of the amount of tax due
108 under sections 12-263a to 12-263e, inclusive, and 12-263i with respect
109 to such calendar quarter prior to the application of such credit or
110 credits.

111 Sec. 3. Section 12-263c of the general statutes is repealed and the
112 following is substituted in lieu thereof (*Effective July 1, 2016*):

113 (a) If any hospital fails to pay the amount of tax reported to be due
114 on its return, less any deduction made pursuant to subsection (c) of
115 section 12-263b, as amended by this act, within the time specified
116 under the provisions of section 12-263b, as amended by this act, there
117 shall be imposed a penalty equal to ten per cent of such amount due
118 and unpaid, or fifty dollars, whichever is greater. The tax shall bear

119 interest at the rate of one per cent per month or fraction thereof, from
120 the due date of such tax until the date of payment.

121 (b) If any hospital has not made its return within one month after
122 the time specified in section 12-263b, as amended by this act, the
123 Commissioner of Revenue Services may make such return at any time
124 thereafter, according to the best information obtainable and according
125 to the form prescribed. To the tax imposed upon the basis of such
126 return, there shall be added an amount equal to ten per cent of such
127 tax, or fifty dollars, whichever is greater. The tax shall bear interest at
128 the rate of one per cent per month or fraction thereof, from the due
129 date of such tax until the date of payment.

130 (c) Subject to the provisions of section 12-3a, the commissioner may
131 waive all or part of the penalties provided under this section when it is
132 proven to his satisfaction that the failure to pay any tax on time was
133 due to reasonable cause and was not intentional or due to neglect.

134 (d) The commissioner shall notify the Commissioner of Social
135 Services of any amount delinquent under sections 12-263a to 12-263e,
136 inclusive, [and, upon] less any deduction made pursuant to subsection
137 (c) of section 12-263b, as amended by this act. Upon receipt of such
138 notice, the Commissioner of Social Services shall deduct and withhold
139 such amount from amounts otherwise payable by the Department of
140 Social Services to the delinquent hospital. In no event shall the
141 Commissioner of Social Services deduct and withhold any amounts
142 based on a deduction made pursuant to subsection (c) of section 12-
143 263b, as amended by this act.

This act shall take effect as follows and shall amend the following sections:

Section 1	July 1, 2016	17b-239e(b)
Sec. 2	July 1, 2016	12-263b
Sec. 3	July 1, 2016	12-263c